

Message Text

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ACTION IO-14

INFO OCT-01 EUR-25 NEA-14 ISO-00 IOE-00 SR-02 ORM-03 AID-20

OMB-01 TRSE-00 ABF-01 SWF-02 SPM-01 AF-10 ARA-16

EA-11 RSC-01 EB-11 AGR-20 SSO-00 NSCE-00 USIE-00

INRE-00 L-03 SS-20 NSC-07 SP-03 H-03 CIAE-00 INR-10

NSAE-00 PRS-01 PA-04 DRC-01 /205 W

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O R 201315Z JUN 74

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC NIACT IMMEDIATE 8525

AMEMBASSY AMMAN

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

USINT DAMASCUS

USMISSION USUN NEW YORK

C O N F I D E N T I A L BEIRUT 6982

E.O. 11652: GDS

TAGS: EAID, SREF, UNRWA, XF, EG, IS, JD, LE, EY

SUBJECT: UNRWA FINANCES

REF: (A) STATE 130387

(B) BEIRUT 6960

1. UNRWA HAS JUST GIVEN US JUNE 20 FOLLOWING
COMMENT ON FORMULATION SUGGESTED FOR EMERGENCY FUND
IN REFTTEL AND ALTERNATE PROPOSALS. IN FORMUAL
SUGGESTED, RENNIE REGRETS U.S. INSISTENCE ON FORMAL
ACT TO DO WHAT HOST GOVERNMENTS AND REFUGEES OPPOSE
AND WHAT APPEAL FOR HELP IS DESIGNED TO AVOID, I.E.,
TO MAKE REDUCTION IN SERVICES BY TERMINATING AND
REMOVING FROM BUDGET ALL OR PART OF SOME PROGRAM.
(INCIDENTALLY, PREPARATORY CYCLE IS RULED OUT BECAUSE
STILL HOPED EEC WILL FINANCE.) IN ORDER ESTABLISH
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SEPARATENESS OF PROGRAM, THIS WOULD REQUIRE OVERT ACT

WHICH WOULD HAVE TO BE REPORTED. RENNIE WOULD HAVE TO INFORM ADVISORY COMMISSION EARLY NEXT WEEK THAT THE HAS TERMINATED PROGRAM (OR PART THEREOF) WITHOUT CONSULTATION WITH COMMISSION OR EVEN WITH HOST GOVERNMENTS AND ALSO SO IN FORM GENERAL ASSEMBLY IN ANNUAL REPORT NOW BEING DRAFTED. (BUDGET FOR 1975 NOW BEING DRAFTED FOR INCLUSION IN REPORT AND THERE MAY WELL BE UNFORESEEN AND POSSIBLY UNFORTUNATE CONSEQUENCES OF IMPOSITION RADICAL CHANGE IN SHAPRE OF AGENCY BUDGET AT SHORT NOTICE). THERE IS IMMENSE DIFFERENCE BETWEEN SUBSTITUTING ONE SHORT-TERM EMERGENCY FEEDING PROGRAM FOR ANOTHER IN A DISASTER RELIEF OPERATION AND SUBSTITUTING EMERGENCY PROGRAM FOR LONG-TERM PROGRAM. THIS IS ESPECIALLY TRUE OF EDUCATION PROGRAM CONDUCTED UNDER FORMAL AGREEMENT BETWEEN TWO UN ORGANIZATIONS AND IN SENSITIVE LOCAL ENVIRONMENT THERE IS REAL RISK MISUNDERSTANDING DAMAGING BOTH TO US AND USG.

2. IF, HOWEVER, US REPRESENTATIVE IS PREPARED TO PUT US PROPOSAL TO ADVISORY COMMISSION, RENNIE WOULD EXPLAIN WHAT IS INVOLVED FOR UNRWA ON LINES SET OUT IN NEXT PARAGRAPH. IF COMMISSION RECOMMENDED ACCEPTANCE WITHOUT HOST GOVERNMENT DISSENT, HE WOULD FEEL ABLE TO MEET US REQUIREMENTS SUBJECT TO SECRETARY-GENERAL'S APPROVAL WHICH HE WOULD TRY TO OBTAIN IN ADVANCE.

3. RENNIE CONSIDERS USE OF EXPRESSION QUOTE TERMINATED UNQUOTE MUST BE AVOIDED AND HIS RESPONSE WOULD BE THAT FOR LAST FOUR MONTHS OF YEAR PROGRAM IN QUESTION (SEE FOLLOWING PARAGRAPH) WOULD BE FINANCED UNDER AN EMERGENCY PROGRAM CHARGED TO AN EMERGENCY BUDGET THE COST OF WHICH WOULD BE MET FROM A SPECIAL FUND INTO WHICH WOULD BE PAID SPECIAL US CONTRIBUTION OF \$4.2 MILLION AND CONTRIBUTIONS OF OTHER GOVERNMENTS AGREEING TO PARTICIPATE IN EMERGENCY PROGRAM; THAT ESTABLISHMENT OF EMERGENCY PROGRAM AND BUDGET AND SPECIAL FUND WERE NECESSARY TO MEET GENERAL REQUIREMENTS OF PROVISIONS OF LONG-STANDING US LEGISLATION UNDER WHICH US SPECIAL CONTRIBUTION BEING MADE; THAT FINANCIAL OPERATIONS OF SPECIAL FUND WOULD BE INCORPORATED IN CONSOLIDATED AGENCY BUDGET; AND THAT OBJECTIVE OF ARRANGMENTS WAS TO

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ASSIST THE AGENCY IN EMERGENCY CONSTITUTED BY PRESENT DIFFICULT FINANCIAL CIRCUMSTANCES TO CONTINUE THROUGHOUT 1974, AS HITHERTO, TO CARRY OUT MANDATE FROM GENERAL ASSEMBLY TO PROVIDE ESSENTIAL SERVICES TO REFUGEES.

IF ABSOLUTELY NECESSARY HE WOULD ADD WORDS QUOTE REMOVAL OF PROGRAM IN QUESTION FROM REGULAR BUDGET AND UNQUOTE BEFORE QUOTE ESTABLISHMENT OF EMERGENCY PROGRAM

UNQUOTE IN FOREGOING.

4. OPTIONS AS REGARDS PROGRAM TO BE TREATED IN THIS WAY ARE (1) PART OF BASIC FLOUR RATION FROM 1 SEPTEMBER TO END OF 1974 OR (2) ELEMENTARY CYCLE OF EDUCATION FOR SAME PERIOD. (1) WOULD ENABLE UNRWA TO CONSERVE FLOUR STOCKS IN ORDER PROVIDE RATIONS FOR BEGINNING OF 1975 WHILE MAINTAINING FULL RATION UNTIL END OF 1974. (1) WOULD NOT, HOWEVER, PROVIDE ANY CASH FOR MAINTENANCE CASH-FINANCED PROGRAMS SUCH AS EDUCATION, E.G,IT WOULD BOTH ELIMINATE DEFICIT OF \$2.7 MILLION FOR 1974 ON QUOTE FLOUR BUDGET UNQUOTE AND PROVIDE \$1.5 MILLION ADDITIONAL FLOUR FOR USE IN 1975, BUT WOULD STILL LEAVE DEFICIT IN REGULAR BUDGET OF \$7.6 MILLION. (2) WOULD HAVE ADVANTAGE OF MAKING FULL AMOUNT OF CASH AVAILABLE FOR MAINTAINING EDUCATION IN 1974 BUT COULD BE MORE DIFFUCLT TO PRESENT.

5. COMMENT: WE BELIEVE WE ARE GETTING CLOSER BUT FURTHER PROGRESS HAMPERED BY NEED FOR ADDITIONAL CLARIFICATION AS TO HOW FAR UNRWA CAN GO IN RECONCILING ITS PROBLEMS IN ESTABLISHING SEPARATE PROGRAM AND ACCOUNTING FOR EMERGENCY FUND WITH USG LEGAL RQUIREMENTS FOR RELEASE OF FUNDS. TO SAVE TIME, WE THOUGHT USEFUL TO DISCUSS LATEST UNRWA PROPOSALS AS FAR ASPOSSIBLE BY TELEPHONE WITH DEPT WHICH WE HOPE TO DO LATER THIS AFTERNOON. GODLEY

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